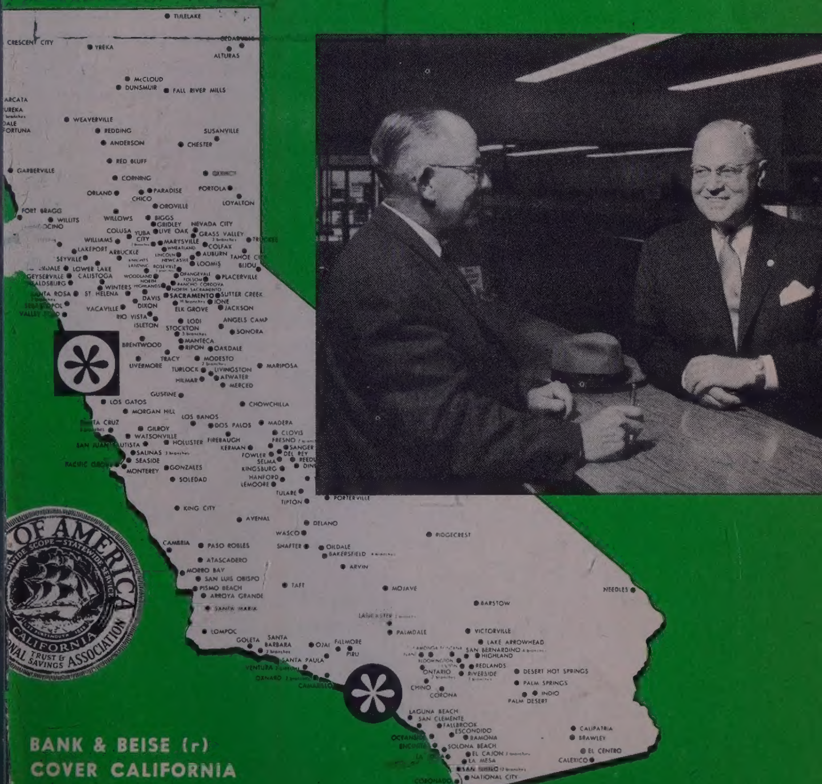
ptember 30, 1959

Investor's Reader

For a better understanding of business news



BANK & BEISE (r) COVER CALIFORNIA (see page 15)

SPALDING IN THE SERIES

At presstime it was not quite certain the strong right hand of Chicago White Sox ace Early Wynn would deliver the first pitch when the 1959 World Series opens today. But there is no doubt whatever about the identity of the ball—it will be a Spalding product. A G Spalding & Bros Inc is the exclusive supplier of all the baseballs used in both the American and National Leagues and (though there is nothing "official") it hopes to be pitching when, as & if a Continental League umpire ever yells "Play Ball."

Spalding has piled up a number of other sports firsts during its 83 years. It turned out the first American golf club and golf ball, the first tennis ball as well as the first basketball and football. Nowadays its broad range of sports supplies branded Spalding, Reach, Wright & Ditson, etc supplies thousands of star athletes and backyard duffers. In addition it signed up another growth market with its Tinker Toy division, acquired in 1952.

But the sporting life is vigorous and heavy domestic competition (eg, meatpacker Wilson & Company's sporting goods division behind whose glove veteran Wynn hides the Spalding horsehide) plus increasing pressure from imports squeezed Spalding's operating pre-tax profit margins from 12% to 7% in the last decade. Also while Spalding sales have climbed 82% since 1948 to $42,000,000 in the year ended last October, net income declined 48% in the same period. However fiscal 1958 profits of $801,000 or $1.21 a share rebounded from $494,000 the year before. In the first nine months of fiscal 1959 Spalding pushed its score up another notch to $1.05 a share v 89¢.

The 1,600 stockholders including 23%-owner Pyramid Rubber and 15%-holder Dunhill International have received 6% stock distributions in recent years but have not seen a cash dividend since 1955. Under a loan agreement, only half of any earnings in excess of $800,000 a year would be available for cash payments.

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Investor's Reader

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BUSINESS AT WORK

MINING
When It Rains . . .

APPROPRIATELY enough, the day after Nikita Khrushchev's TU-114 set its landing gear down at Andrews Air Force Base a new salt mine was opened up on US soil. "Morton opens new salt source today," read the proud full-page ad by Morton Salt Company of "when it rains, it pours" fame. The salt concern boasted of its "strategic new location" at Fairport, Ohio, convenient to Great Lakes boats, rails and trucks—if not to turboprop aircraft.

THE SPACE AGE
Reason for Thought

SOVIET MOON shoots and Mr K in the USA apparently stirred the ire of famed rocket scientist Dr Wernher von Braun—who among other things led a group of 100 space experts to the West instead of the East when the Russians moved into Berlin at the end of War II. Last fortnight at US Army rocket base Huntsville, Ala (IR, May 13) he made some pointed comments:

The US is far behind the Soviet Union in space projects . . . This country should spend at least twice the present budget . . . "I am quite sure that even when our young astronauts blast off into space they will meet Russian customs officials."

DATA PROCESSING
GE Gauntlet

THE four-city press conference which introduced the Bank of America's friend ERMA to the public two weeks ago was really a double debut: the advent of an operational, completely automated bank accounting system (see page 15) and General Electric's formal step into the field of electronic data processing.

Entering the field some seven years after UNIVAC made big-brain history, GE leapfrogs over the

whole punched card phase of data processing, not to mention a number of office equipment veterans. (Till now GE has been a stranger to the office equipment business.) All this thanks to ERMA-developed direct-reading-of-magnetic-character techniques. In fact, GE Eastern regional sales manager Owen K Lindley feels: "In a few years magnetic characters will move up and dominate the field as punched cards replaced conventional accounting machines."

For a long time, General Electric has been in the military and industrial process control computer business; except for supplying the electronic innards for National Cash Register's 304 system, it had left the data processing business to IBM and friends.

But no more. As offshoots of its ERMA work, it now will offer two transistorized general computers: the 210 system which costs around $500,000 or rents for about $10,000 a month and the larger 150 system which has a price tag of $1,000,000 & up, rents for about twice the 210.

Although first system sales will be primarily bank oriented (Merchandise National of Chicago, First National of Arizona and other as yet unannounced institutions are already on the customer list) the computers are adaptable for a wide variety of other business operations: utility accounting, handling of oil company credit systems, etc. To cover both the bank and general prospect file, GE has set up and is expanding a special staff for the sale of commercial data processing systems.

No breakdown is available as to what portion of GE's better than $4 billion annual sales comes from its computer department. However George Hagerty, manager of marketing for the department, asserts computer volume is about double last year and acknowledges data processing type computer business now bulks larger than military and process control types.

The Burroughs Version

TAKING A SHARE of the spotlight from ERMA (see page 1) Burroughs Corp two weeks ago spirited an air conditioned, breakfast-eating busload of New York financial writers down to its split level, low-slung research center at the end of Philadelphia's Main Line in Paoli.

There it showed off its version of a magnetic ink code-reading bank computer just four days before ERMA's on-the-job press debut at the Bank of America.

Called the B 251 Visible Record Computer (or VRC if you run out of breath), the big Burroughs machine appeared in fine operating fettle at the research center. The machine is now in production with ten orders (about $2,000,000 worth) on the Burroughs books by the time of the press showing. But first delivery is still almost a year and a half away.

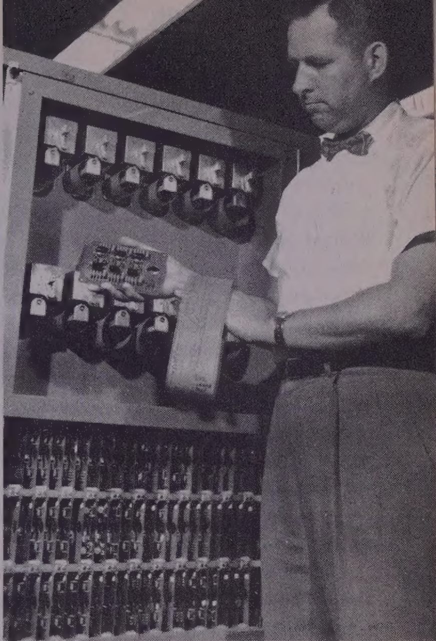
Burroughs president Ray R Eppert hailed the VRC as "a computer the user can understand." A feature: it not only sorts and posts checks but prints up twin copies of the monthly statement—one for you and one for

the bank—without the use of rolls of tape.

A compact unit it consists of: 1) a check sorter, 2) the computing mechanism itself, 3) a record-processing unit and 4) a control console. The sorter can riffle through as many as 1,560 checks a minute as it reads (and acts on) their magnetically encoded information. It can be operated separately to merely sort by bank, branch or account. Or else it can be tied in with the computer to figure up statements—in which case it moves a little slower. In the latter case, the record processor is also called into action to print up the ledger forms. At the console the lone operator presses buttons to start the machine which is then run by Mylar plastic tape loops (see picture) whose perforations carry the instructions.

The sophisticated VRC can figure this month's service charge (instead of last month's as in current banking practice), thereby keeping checkwriters' accounts down to the last penny. It can recognize when it comes to the end of a ledger form, total it, snap up a new sheet, put a full heading on it and continue printing the statement without pause. A big plus, according to the Burroughs salesmen: VRC can do all these things not only with checking accounts but also with savings, instalment and mortgage accounts. Uses beyond the bank field, particularly in insurance, are considered likely.

Fundamental to all the VRC's many talents is of course literacy. It can read and write magnetic code



Palm-sized memory and control tape

language, set up as the uniform bank automation standard by the American Bankers Association. The authorized version's characters look somewhat like caricatures of their normal written or printed counterparts; grotesque blots and bulges are needed to make sure the electronic reader can tell magnetic ones, fours and sevens apart. Grotesque or no, the key virtue is the figures are legible to both human and automated viewers—a point the ABA insisted upon when it selected its uniform system.

Burroughs had originally worked on a system where fluorescent dot markings told each check's story. When ABA's nod went to magnetic ink, the fluorescent dots and all other alternative developments were naturally extinguished. This not only

short-circuited a multimillion investment for Burroughs but also cost invaluable time in the competitive scramble to come up with a complete bank automation system.

While it will be early 1961 till the complete Burroughs VRC is ready, purchasers will have the check sorting portion of the machine on hand sometime in mid-1960. The full machines are priced at $217,400 for purchase or $3,975 a month rental. Burroughs says orders proceed at a sprightly pace; since the press unveiling, bankers have been shown the new machine and Burroughs received another $1,000,000 in orders.

President Eppert elaborates on his hopes for VRC success: "We're a triple threat company in this field. We make the machines, we supply paper forms for them through the Todd Company division and we service them." This confidence in its offensive prowess once the VRC varsity gets its hands on the ball causes Burroughs coaches to regard the future with considerable if guarded optimism.

For the near term Ray Eppert looks for an improved second half over the $3,208,000 or 49¢ a share earnings of the first half, which in turn compared with $2,603,000 (43¢ on fewer shares) in the first half of 1958. Thus the full year may edge ahead of 1958's 97¢ a share though Burroughs stock, perhaps reflecting repeated disappointments when expected earnings recovery failed to materialize in recent years, is close to its 1959 low at 30. It has been as high as 45.

MANAGEMENT

General Dynamics Gathers Material for More Civilian Business

I have always felt that it would be advantageous to General Dynamics to move by internal expansion and acquisition to where military and commercial earnings approximate each other.—Frank Pace Jr (IR, Dec 25, 1957).

FOUR WEEKS HENCE the 75,000-plus shareholders of far flung $650,000,000-assets General Dynamics Corp will take a giant step along this Pace-patterned path. They will no doubt vote their approval of the merger of Material Service Corp Chicago-based supplier of building materials, coal and limestone.

General Dynamics chairman Pace concedes "many people have told us 'you have strayed a long way from your normal area of operation.'" GD is a major aircraft manufacturer, the highly honored builder of most of the Navy's atomic submarines and also has divisions specializing in electronics, liquid gases and atomic energy. To the tall slim General Dynamics chairman this represents sufficient versatility to say: "There is no such thing as a 'normal area' of operations for General Dynamics. Our interests lie in the future and where we anticipate growth and increasing profits in the future."

The past as well as the future of Material Service has proved intriguing to General Dynamics. Little known to investors because it is closely held, Material Service has

grown from a tiny sales space in a single office in 1919 to a $102,000,000-assets building materials producer and supplier whose net earnings averaged more than $9,000,000 in each of the last three years. GD's own earnings during this period fluctuated from $35,688,000 in 1956 to $44,279,000 the next year to $36,729,000 ($3.71 a share) in 1958.

Sheer cliff at Material Service quarry

Co-founder and guiding spirit of Material Service is 63-year-old chairman Henry Crown who will continue to direct the company after it becomes a General Dynamics operating division and will sit on the GD board. Colonel Crown is a director and one of the largest stockholders of Hilton Hotels Corp, a director of the Rock Island Railroad, Hertz Corp and Empire State Building Corp which bought the famous skyscraper in 1951.

Material Details. The company to which Henry Crown, his brothers Irving and Edward, his late brother Sol and his sons have devoted themselves is far from unknown in the Chicago area. A taxi ride of more than five blocks during ordinary working hours is almost sure to turn up one of the 300 radio-controlled red & yellow Material Service cement trucks.

In a random drive around Chicago, for instance, you can see at the now-abuilding Exhibition Hall between Lake Shore Drive and the wind-whipped waters of Lake Michigan as many as five Material Service concrete mixers at a time unload their burden for the new building. Or drive by the grain elevators built under the auspices of the Chicago Regional Port District as port facilities to ready the city for the St Lawrence Seaway (IR, May 27); these were poured on an around-the-clock basis from Material Service-supplied concrete. More Material Service concrete has found its way onto the Illinois State Toll Highway system and the Calumet Skyway. These are a few evidences of the company's participation in most of Chicago's major building projects.

To carry out the retail side of its building materials business, Material Service has spotted 35 yards all over the Chicago metropolitan area. From six limestone quarries and five sand & gravel pits encircling Chicago it supplies these yards either by barge (it runs a fleet of eight towboats and 68 all-steel barges) or by truck or rail.

The company's main office is on the 16th floor of the Mercantile Exchange building in the heart of the

GD director-designate Crown

Loop. From there Material Service salesmen visit construction companies all around "Chicagoland" or keep in touch with customers over the phone. When the contractor is ready to order, his call is switched into the order room which looks like a securities trading desk. The order takers sit at phones with switchkeys which enable them to handle three calls more or less at the same time. The orders are quickly teletyped to the yard nearest to the building site where processing can start at once.

To dispense the precise concrete mix required, each yard has a tower where an operator measures out on big Toledo scales the exact amount of each ingredient he wants. Then he presses buttons to pump the material into the mixing drum, mix it, and pour it into a truck waiting below.

Highly mechanized processes help get limestone for the concrete from the company's steep quarries (see picture, pg 5) to the yards. Walls are drilled and stone is blasted loose to be gathered up by big shovels. Trucked above, it is crushed and ground by complex milling machinery into different sizes and blends of rock for different concrete needs.

While building materials make up the largest part of Material Service's business (60% of sales in first half 1959) the company derived 30% of first half sales from the production of wholly owned Freeman Coal Mining Corp and just under 10% from wholly owned Marblehead Lime Corp. Freeman has four mines (a fifth under construction) in southern Illinois. It is important enough in its own right to be ninth largest coal producer in the nation. Most of the coal is sold to utility and industrial users but some is used in Material Service's own operations.

Marblehead Lime produces high-calcium lime and dead-burned dolomite as well as lime for building purposes. The dead-burned dolomite is a refractory (heat resistant) material used to repair linings of open hearth steel furnaces. Marblehead now has a wholly owned subsidiary in Tooele, Utah producing dead-burned dolomite.

Dynamic Attraction. It is no problem at all to get Frank Pace to explain why General Dynamics wants to make Material Service one of its divisions. "It is one of the few companies in its business which has paid real attention to research and engineering. They have one of the

best management organizations I have seen in any business anywhere." These compliments aside, executive Pace points out net earnings of Material Service and General Dynamics taken together for 1958 would give the company 35% of its profits from civilian sources, "a long way toward our 50-50 goal." It is estimated Material Service could add approximately $1 a share this year to General Dynamics earnings (put at between $2.50 and $3 otherwise by some Wall Streeters).

To get the Material Service side of the merger, sit down with 34-year-old Lester Crown, vice president and son of Henry: "Material Service generates a substantial amount of cash yearly. General Dynamics is heavily engaged in research & development and is hungry for cash flow. We are filtering it upstream to a company with management which can readily use it." Material Service, he explains, can use only so much of its cash for its own expansion without spreading out into other fields, always a management problem; the merger with General Dynamics, he says, is "an investment." In short, "our companies blend well financially."

The logic of the financial mixture of the two companies, both feel, outweighs the fact the two concerns will not dovetail their operations closely. However Lester Crown points out GD research & engineering service will be available. He notes the building materials industry is tending toward more advanced technology such as the use of prestressed concrete and precast concrete forms and there are many opportunities for new and untried ventures.

Special Issue. Mechanics of the merger call for General Dynamics to issue a rather unusual type of stock to the Material Service owners —virtually all members of the Crown family. In brief, GD can absorb its profitable new property without any cash (even dividend) payout for the next two-to-five years. At that time, assuming for the moment no change in GD's capitalization, Crown interests could own close to 16% of GD's common stock.

GD will give the Material Service holders 2,065,000 shares of a new preference issue on which $2.90 annual dividends begin only in 1964 and with no accumulation in the interim. However, starting in 1961, part of the preference stock will become convertible into GD common with the full issue eligible for conversion from 1966 until the privilege expires eight years later. The liquidation price for the preference stock is $58.13 and the call price a few dollars higher. Total conversion would be into 1,846,152 shares of GD common, which would give an effective conversion value of $65 a share (*v* GD's current price around 47).

Looking forward to the merger, boss Pace hints Material Service may soon be moving beyond Chicagoland. He states the techniques Material Service has developed "may also be capable of being transferred to other parts of the country in the future. A careful examination is being made to see if this is possible."

OFFICE EQUIPMENT
Haloid Promise

LESS THAN a year ago president Joseph Wilson of $22,000,000-assets Rochester-based duplicating machine maker Haloid Xerox Inc promised: "Many new and valuable tools for business and Government will be coming from Haloid laboratories in the next few years: new small revolutionary copying devices, dry automatic picture printers, several kinds of microfilm enlargers, printers for computers, for radar, for many visual communications" (IR, Nov 28, 1958). On one score it did not take Joe Wilson and research-conscious Haloid long to keep that promise. Last fortnight at a luncheon at Manhattan's swish Sherry-Netherland Hotel, Haloid previewed a copying device, the desk-size 914, which will go on the market next year to mark the company's entrance into the office copying field.

No doubt about it, the 914 is revolutionary. Utilizing Haloid's famous Xerography principles, it offers a quick (six copies a minute), completely dry copying process which picks up all types of printing —inks, pencil, stamps, crayon, etc— from documents or books or even other copies. It prints them on ordinary non-treated, non-sensitized paper without the necessity of preparing a master. In fact if the machine is loaded with offset master paper, it will copy on it and create a master for duplicating machines. The versatile 914 can even be used for duplicating; at the flick of a dial an operator can order 1-to-15 copies or signal for continuous printing.

No sales price has been set for the machine but office equipper Wilson figures it will lease for about $95 a month. This of course is considerably higher than the few-hundred-dollar sales price of most desk-top copying machines. But Joe Wilson estimates for bigger users (those who require 75 copies or more a day) net costs are comparable as cost of supplies for the 914 will be much lower than for devices requiring specially treated paper. He feels these users will give Haloid the "top 10% of the market in terms of number of machines."

Also due from Haloid within a year are smaller, somewhat less sophisticated and less expensive copying machines, perhaps even a desk-top model of its own. But these products will not show up at all in this year's sales. Even without them president Wilson expects Haloid will show a smart rise in volume to $30,000,000 compared to $27,600,000 in 1958. He predicts earnings will be about 15% better than last year's $1,630,000 ($1.96 a share). And Haloid will continue to spend about 8% of sales on research to be sure it keeps on its promised growth schedule.

ELECTRONICS
Western Youth

OUT IN Southern California where electronic companies are almost as thick as the smog lives a young executive who because of the former puts up with the weather. He is Donald Harding Putnam, president of small but prosperous and highly respected Giannini Controls

Corp of Pasadena. A born and bred Easterner, he admits no conversion to his California locale but exudes enthusiasm when it comes to his $4,350,000-assets firm, one of the top precision instrument houses in the US. The 35-year-old Princetonian became Giannini president in January 1958. He had come to the company less than seven years earlier from the Applied Physics Laboratories of Johns Hopkins University.

The former G M Giannini & Company (the name was changed last Spring to identify the company's major line) is considered an old-timer in the electronics industry at age 15. Actually Giannini was incorporated in 1935 but did not start production until nine years later. Founder Gabriel Maria Giannini (no relation to the San Francisco Bank of America family) has gradually withdrawn from management over the past few years, relinquished the chairmanship last December in order to concentrate on research projects in his private laboratory. But the 54-year-old physicist still serves as "technical director and product policy advisor."

Giannini is a leading manufacturer of automatic flight control systems. Consequently 80-to-85% of its volume is military business. Of this approximately 60% equips some portion of virtually every missile from Atlas to Zeus, 40% goes into aircraft.

On one of his frequent New York trips Don Putnam last month explained Giannini's position: "We are built on a dual capability—air data instrumentation and inertial

Giannini instrumentalist Putnam

(gyros, accelerometers) instrumentation. The only real insurance in this business is to offer the broadest possible capability. We must assume new ones all the time. For instance we aren't now in infrared, microwave or telemetry systems. Our basic feeling is that in any job to be done there are smaller components involved which we can best do ourselves. Our future lies in control and measurement."

In line with this policy of vertical and horizontal integration, Giannini is now manufacturing an "air data package," a single unit which measures and computes air speed, altitude, air density and temperature, etc and transmits the information simultaneously to any other major systems which may need it. For instance usually the navigation, fire control or guidance systems each have their own set of instruments—now they can all draw on the Gian-

Giannini controls travel in Jupiter nose

nini package. The package is in operation on the Grumman W2F.

Military Minded. As for being so dependent on military business, president Putnam states firmly: "We're satisfied. We don't feel constrained to seek commercial business because one [phase] gets the other. We will be primarily a military house for many years to come. We're doing things industry will need 15 years from now." Nevertheless Giannini is well represented on civilian aircraft. One example: the automatic trim system on the Douglas DC-8s.

Actually Giannini, figuring it has a good customer, would like more Government business in an area where heretofore its work has been almost exclusively proprietary—research & development. Don Putnam feels the largest single characteristic of the electronics industry today is the shift of emphasis from manufacturing volume to technical ability. One in five Giannini employes is a scientist or engineer. The president himself has an engineering Masters.

R&D and engineering expenditures amount to close to 15% of sales compared to 10% just three years ago. Most of this work is still done within the company. But whereas former policy was not to undertake Government development contracts, Giannini now openly solicits them, in part to expand its technological base. For the same reason Don Putnam informs: "We always have a backlog of merger possibilities." The young president agrees in this age of constant advancement and obsolescence it will be the companies rich in technical know-how which will forge ahead of those satisfied to produce today's needs only.

Not that Giannini has not produced for today as well. Last year when many companies were hurt by defense cutbacks, Giannini's specialized sales inched to $10,675,000 from $10,554,000 in 1957. Earnings climbed to $390,000 ($1.09 a share) from $310,000. President Putnam feels this 3.7% profit margin is "about right now. From here on it will depend on sales." He won't be pinned down to projected year to year increases, contends "the important thing is what a company can do and where it can go; then the growth rate just happens." However he expects sales of $12,000,000 for 1959 and thinks $1.25 a share

arnings are a conservative estimate.

The backlog of orders has been iling up at a gratifying rate, now tands at well over \$7,000,000 *v* \$6,-00,000 at the end of the first quar-er and \$5,000,000 at the end of 958. The president confidently re-orts "the defense cutback losses are ehind us."

Giannini common stock is cur-ently quoted around 24 over-the-ounter but with 340,000 shares out-tanding the market is extremely hin. The company declared a small lividend back in 1956 but the nanagement has no plans for urther payouts. States Don Putnam: "That's not what people who invest n our company are looking for."

Eastern Veteran

ACROSS the continent from Giannini (see above) is a grand-laddy of US electronics, Leeds & Northrup Company. Founded 60 years ago in Philadelphia, the old ine firm is not to be outdone by he newcomers—especially with a nan like president Irving Melville Stein at the controls. Before he oined the company 40 years ago, Melville Stein was personal assistant o Thomas Alva Edison. He then pent 23 of his years with L&N as lirector of research.

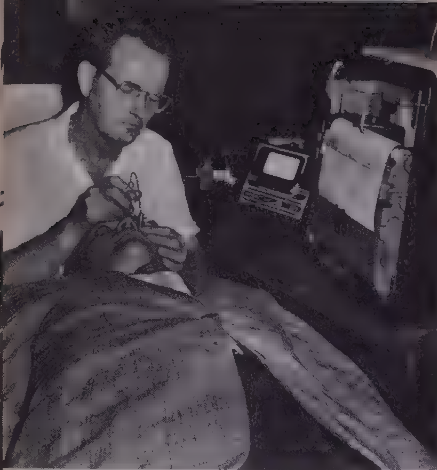
This month saw this scientist's lream come true when Leeds & Northrup dedicated a \$2,000,000 esearch & development center in North Wales, Pa. The center "pro-vides 65,000 square feet of space out the design and location are such as to accommodate enlarge-nent to three times that size as required for future operations." Here will be developed and tested "under simulated application conditions" control and measurement systems, digital computers, automatic analyzers and even new alloys which will go into them.

Leeds & Northrup reports 81% of its volume from industrial equipment with a large portion coming from utilities. The L&N Load-Frequency Control Systems regulate distribution of electric power in over 90% of the US interconnected power systems. Supplier to many fields, including atomic power, oil refining, steel, glass and rubber, L & N does most of its work to specification. Engineers are now working on infrared equipment for measuring solvent vapors from film roll coating machines for Kodak.

Laboratory equipment such as the Speedomax recorders (see picture, pg 12) accounts for 13% of L&N sales. About 6% of total volume comes from heat treating furnaces, a product Leeds & Northrup began to manufacture after studying the problem of heat control in early high-temperature furnaces.

L&N also has a goodly number of military contracts. It is producing electronic recorders for the US Naval air rocket test station at Lake Denmark near Dover, NJ, also \$80,-000 worth of precision potentiometers and accessories for the Air Force Materiel Command.

In the year ended May 1959 Leeds & Northrup earned \$1,353,-000 or \$1.68 a common share *v* \$1.35 last year. The backlog at year end was practically unchanged



L&N Speedomax helps detect glaucoma

but by the end of the first (August) quarter additional orders added $1,-500,000, totaling 40% above a year ago. First quarter shipments were 12% higher and president Stein says earnings showed an even greater percentage gain. The 65-year-old executive hopes profits for the full fiscal year will return to the peacetime peak of $2.37 a share earned in the May 1957 year.

BANKING
Chase's Special Delivery

WHILE New York City banks are legally forestalled from chasing their commuting customers across the County line into Nassau and Westchester, nothing prevents them from following their peripatetic customers overseas. Two weeks ago the Chase Manhattan Bank, second largest in the nation and largest in the East, acquired a bank way off in the Virgin Islands.

In doing so it turned up a new acquisition technique which may have useful applications at home if the banks can win their way wit[h] New York State legislators for mo[re] liberal expansion laws.

Subject of the new technique wa[s] the $10,400,000-deposits, $12,30[0,]000 total resources West Indi[es] Bank & Trust Company which ad[d] four branches to foreign expansio[n-]minded Chase's overseas network [of] 22 branches.

In a never-done-before arrang[e-]ment Chase last July agreed [to] "cause to be delivered" to the We[st] Indies Bank 22,300 shares of [al]ready outstanding Chase Manhatta[n] capital stock. As a bank cannot a[c]quire its own shares, Chase hit upo[n] the idea of having an underwrite[r,] bank stock specialist M A Schapi[ro] & Company, supply these shar[es] from its holdings and open mark[et] purchases. Schapiro agreed to kee[p] the stock, get merely an underwri[t]ing fee if the transaction fell throug[h].

Pending approval the shares we[re] held in escrow. A fortnight ag[o] after papers were signed in Chase['s] 18 Pine Street head office, Schapi[ro] delivered the stock to the West I[n]dies Bank stockholders and Cha[se] got the assets of the Virgin Islan[ds] bank.

Apart from the West Indies shar[e]holders, the transaction had receive[d] a variety of OKays from the Ne[w] York State Banking Department, th[e] Banking Board of the Virgin Island[s,] the Federal Reserve and, most vit[al] of all, Internal Revenue.

Financial fillips of the deal: Cha[se] established its Virgin Islands beac[h]head without issuing any new shar[es] to dilute its own stockholder[s'] equity, was able to save the expen[se]

and trouble of calling a special meeting of its own owners. By this saving, Chase was better able to pay the premium (about $600,000 in this case) which seems to have become part & parcel of most bank acquisitions.

On the Caribbean shore, West Indies stockholders received Chase stock just as though there were a new share exchange with a tax-free ruling on the swap. If the bank had been bought for cash, West Indies owners would have had to pay tax on the proceeds.

Financial architect of the deal, Chase controller Charles Agemian proudly describes the method as "the most practical way to do a small bank merger." He concedes when & if New York City banks get a green light for suburban expansion most of the prospective acquisition candidates would be too big to use such a consolidation set-up. But he thinks "it might work for some smaller banks out there."

RETAIL TRADE
Jewel Tea Records

THIS WEEK the Jewel Tea Company is due to report a year-to-year sales gain for the 201st consecutive four-week period. Last month it rounded out the second hundred in this remarkable string of uninterrupted sales improvement with volume a solid 8% above the equivalent 1958 period.

Another impressive financial record chalked up by the Chicago-concentrated grocer: each year since 1954 earnings have increased more rapidly than sales. All in all, says chairman Franklin Lunding, "in the past five years our retail sales have increased 61% while earnings have risen 117%." One important reason for the steadily widening profit margins is the efficiency of Jewel's warehouse and distribution facilities.

Last year Jewel again set new all-time highs with volume at $444,000,000 and net income at $7,800,000 or $2.51 a share. The 7,800 Jewel Tea shareowners received some extra grocery money in February when the stock was split 2-for-1 and the quarterly dividend raised 20% to 30¢ on the new shares. They also saw their stock double from its adjusted 1958 low to a new high of 57 earlier this year. However the 3,000,000 Big Board-listed shares have since settled back to around 45.

To brighten Jewel's sparkle, the management led by chairman Lunding and president George Clements continues to add stores at a rapid rate and with appropriate fanfare—as witness (picture, pg 14) the helicopter-observed inaugural in Chicago suburb St Charles early this month. Last year 42 new units were opened (about a third in shopping centers) and by 1961 the company plans to unveil 83 more stores.

At present it operates 260 stores, about four-fifths of them in the Greater Chicago area. With a few exceptions such as the 1957 acquisition of Eisner Grocery Company (with 41 stores in central Illinois and Indiana), the bulk of Jewel Tea's growth has been internal.

Jewel outlets have not grown in number alone. Through the years they (like most major competitors)

A Jewel inauguration

have greatly broadened the type of products they handle. Founded in 1899 as a partnership with $700 capital, Jewel's line consisted of tea, coffee and spices. Now Jewel is a robust $104,000,000-assets concern purveying a complete roster of grocery items including fancy pastries and meats. Following the general supermart trend it also puts increased emphasis on non-food items. They now account for about 5% of retail sales. However Jewel feels it has enough opportunity to expand without extending the merchandise line greatly.

On the Hard Road. But the company is stocking up plenty of experience with non-foods in another part of its operation. The company maintains a door-to-door service with nearly 2,000 Home Service Routes in 38 states.

The truck-driving salesmen call on nearly 1,000,000 customers every two weeks. Organized in horse & buggy days to distribute Jewel's original products, the Home Route service from the beginning offered general merchandise premiums to buyers of its coffee and food staples. After a while customers were permitted to buy the household goods for cash (or credit) if they did not care to earn them as premiums.

By now the general merchandise line covers everything from dishes and bedsheets to vacuum cleaners and clothes — all attractively displayed in a glossy, 107-page catalog. The Home Service end of the business contributes "a steady $75-to-80,000,000" to the company's annual sales with nearly half of this amount brought in by general merchandise.

However the better portion by far of Jewel's growth comes from its supermarkets and the bulk of capital expenditures (in the area of $9-to-10,000,000 this year) is devoted to building new stores and improving older ones. The heavy start-up costs entailed in expansion somewhat limit current profit margins but put Jewel in a position to cash in on bigger markets in the future.

Thus in the first twelve weeks of this year net declined 14% despite a 5% sales gain. But the basic uptrend was resumed in the next 16 weeks when even in the face of higher competition in the Chicago area earnings climbed 17% on a 6% sales rise.

Altogether in the 28 weeks through July 15 revenues came to $246,000,000 with profits a little over $4,000,000 or $1.32 a share *v* $1.30. During the rest of 1959 this gap is expected to widen.

Golden State Growth for Bank of America

Pioneering Spirit Plus Little Fellow Service Makes Biggest Bank Bigger

THROUGH the already-taken-for-granted magic of a closed cir-uit TV coast-to-coast press con-erence, reporters in Los Angeles, an Francisco, Chicago and New ork last week saw the first actually-t-work demonstration of a fully utomated bank accounting system —a piece of magic which no doubt ill similarly be taken for granted omorrow.

A few years hence most of the ation's major banks will be quipped with magnetic ink char-cter reading data processing sys-ems, the method settled on by the tandards-setting American Bank-rs Association. But today the show elongs to the complex electronic nachinery humanized under the ickname ERMA (for Electronic Recording Method of Accounting) nd her billionaire sponsors—user Bank of America and systems-builder General Electric.

To keep their date with ERMA, hecks from some 600,000 Bank of America accounts are already en-oded with highly stylized arabic numerals which spell out the indi-vidual account number as well as branch and bank identification. When the check reaches the bank or payment, a clerk further encodes he amount of the check and dis-position instructions (ie, pay, hold, etc). Deposit slips, etc are similarly oded. Then the branch lumps hecks and slips in batches of 150 which a messenger delivers to the ERMA center.

Now ERMA is ready to roll. At the rate of 750 checks a minute she scans the encoded numbers and sorts each item. Simultaneously the information is fed into ERMA's light-flashing brain center which performs necessary computations, verifications and audits, looks out for stop payment orders and "holds," records address changes, checks old balances stored on its magnetic tape units and posts the new balances. In 32/1,000,000ths of a second it can tell the sorter to bounce a "rubber" check into a special pocket.

All that remains for branch personnel to do is to verify signatures and file the checks. They also mail out the customer statements after they are prepared and addressed at the ERMA installation by a fast 900-line-a-minute printer which runs through the updated accounts on the tapes (service charges, etc are already computer-figured), pounds out the statements at an average rate of 1,800 an hour.

The TV demonstration featured the Los Angeles ERMA installation which services 60 local Bank of America branches. Another at San Jose (50 miles south of the bank's San Francisco homebase) handles similar functions for 24 other branches; one additional center will go into operation this year in North Hollywood and before the end of 1961 the bank will have 13 ERMA centers doing the commercial accounting for 460 of its 657

branches. Total cost: "In the magnitude of $30.000.000."

ERMA began life as a gleam in the minds of Bank of America officials. especially current president Seth Clark Beise. The biggest bank in the world, the Bank of America felt the biggest need for automated help in handling the tremendous volume of checks going and coming over its counters (about 5,000,000 a day). At the time office equippers were too busy courting the market for general purpose systems so the bank in 1950 engaged Stanford Research Institute to come up with the solution: automatic accounting processing for any check.

In September 1955 the handmade prototype of ERMA was demonstrated. The Bank then sought a manufacturer to acquire the rights and produce the system, adapting it to new electronic developments. GE got the job (and the opportunity to enter a new field—see page 1). During the system redesign, GE and B of A agreed on a general purpose computer to provide for greater versatility so ERMA could handle a number of other tasks—credit card and payroll accounting, etc.

Big Balances. Such pioneering and persevering in yet undone and supposedly undoable things is typical of the rise of the Bank of America National Trust & Savings Association. From its humble start by Amadeo Peter Giannini in the Italian section of San Francisco 55 years ago it grew to its present position as the world's largest non-governmental bank with a scope of operations so vast even the highly talented ERMA will handle only few phases of its business.

Even more remarkable, this plac has been carved out by acting as "country" bank for the little fello 3,000 miles from Wall Street an the nation's money men and mart. To take a look at the Bank of Amer ca's account:

- On June 30, 1959 assets totale $11.2 billion compared to $7.13 bi lion and $7.06 billion respectivel for Wall Street runners up Chas Manhattan and First National Cit
- On the same date, the bank ha deposits of $10.2 billion of whic $4.7 billion were demand deposi and $5.5 billion savings and tim deposits. These made it not only th largest commercial bank but als the nation's biggest savings bank True to its country bank tradition, i total deposits represent some 7,000 000 accounts—one-third checkin and two-thirds savings with averag balances of $1,500 and $1,370.
- Capital & surplus totaled $500 000,000 at the end of the first hal enabling the bank to make a sing loan of up to $50,000,000. Yet her again the Bank of America's bigge customers were small borrowers commercial borrowing runs but 40% of loans outstanding, the average re estate commitment (also 40%) around $7,200 and the averag retail Timeplan loan outstandin around $750.
- It has 25,000 employes, over 10 000 of whom are also among i more than 200,000 shareholder Like most bank stocks, Bank America shares trade in the over-th counter market. Current price: 4

• True to the inscription on its seal (see cover) it extends its statewide service to worldwide scope via New York-headquartered Bank of America International which reports total resources of $381,000,000, ranks behind only National City and Chase in foreign financing. Primarily a wholesale type bank in its international operations, B of A operates 16 overseas branches. It will add a new one in Okinawa this year.

President Beise says determinedly: "We will continue expansion in the international area in orderly fashion. Our basic philosophy in international banking is to conduct business in a non-branch way in countries having a well-developed banking system of their own."

Branch Beliefs. However the foreign front is the only area in which the Bank of America deviates from its basic branch banking credo. "The Bank which knows California best," it blankets its bailiwick from the Sierras to the Pacific and from the Oregon state line to the Mexican border (see cover map) with 657 branches in more than 350 communities. Its only other statewide rival is Firstamerica subsidiary First Western Bank which now has 105 branches, would add 66 more in the Southern part of the state when & if its merger with the California Bank goes through.

In his pleasant office in the bank's impressive head office on San Francisco's Montgomery Street, president Beise paused to explain how branch banking coupled with the small country bank concept had brought the B of A to its present position of local and national preeminence. "As you come West the character of banks changes. In New York you have commercial banks and savings banks. But here you get a combination. Mr Giannini realized you had to gather up savings deposits as without them there would not be enough money to meet requirements for financing the State's growth. And he found to effectively utilize what funds were here, they had to be gathered up into a usable whole. Branch banking was the kind of organization which lent itself to gathering up deposits of all kinds. That vehicle—plus banking policies people like—gave us a large number of customers."

All of which sounds like standard banking practice today but was high heresy in banking circles when A P Giannini's Bank of Italy began bursting out of its San Francisco North Beach origins. When Giannini's "baby" bank was founded in 1904, established banks took a dim view of doing, let alone soliciting, small business. Unorthodox from the first, Giannini personally sought the "little fellow," reopened for business right after the quake and fire of 1906 on a plank stretched across two barrels. He pioneered branch banking as he invaded San Jose, Los Angeles, the agricultural valleys.

By 1920 the bank was the largest west of Chicago and opposition was felt all the way to the Federal Reserve. Iconoclast Giannini fought branch restrictions and opposition from all quarters. He wheeled out new little-fellow services (example:

consumer credit). He set up Transamerica to hold Bank of America stock, bring together other interests and accomplish his even broader though never-realized dream of nationwide branch banking. (Because of the Banking Act of 1933, Transamerica in 1937 disposed of 60% of its B of A stock. It gradually disposed of the rest and all connections were finally severed in 1952.)

Consolidation Chief. Under its 1930-adopted name of Bank of America National Trust & Savings Association Giannini's California "baby" went on to widen its dominance in the state and become the nation's No 1 bank by 1945. In the meantime however many of the daring Giannini innovations had become accepted bank operating procedure and the Bank of America now goes its No 1 way with a tribute of amiable imitation from many old opponents.

Old branch facade . . .

Much of the credit for consolidating revolution into established regime goes to president Clark Beise who took over as the big bank's chief banker in 1954. Friendly, soft-spoken Beise has been interested in banking ever since he was a boy. "As a youngster in Windom, Minn I had a great admiration for an uncle of mine in the business."

He worked in a hometown bank during high school and in Minneapolis while at the University of Minnesota School of Business. After graduation in 1922 he went to work for the Minnesota Trust Company, two years later joined the National Bank Examiners office there. In 1927 he went back into operations with the Peoples National of Jackson, Mich. He again returned to the supervisory side as a Twelfth Federal Reserve District examiner in San Francisco. One of his points of call: Giannini's Bank of America. In 1936 the chief invited him to join the bank as a vp; by 1945 he was an executive vice president and in 1954 president.

Clark Beise admits the bank is a 90-hour-a-week job, including time to stop in for a chat with branch managers on the way to the office well before opening time (see cover). He also declares happily: "From a sentimental, theoretical and practical point of view, I just like banking."

Growth Statement. Banking as practiced by Clark Beise and his present day Bank of America is admittedly less controversial than in the old days but it is no less growth conscious and pioneering. Planner Beise chronicles: "We haven't bought a bank for many years but in the last five years we have opened more than 120 new branches." He continued: "The growth of planned suburbs really means new towns coming

into being and a branch there is a charter member of a new community. And other areas tend to develop around the perimeters of present metropolitan areas. When there is a need in those sections for banking services, we apply there too."

The exploding growth of California in recent years has kept the bank busily applying. Since 1940 the state's population has increased 104% against 29% for the US as a whole. By 1965 California is expected to pass New York as the most populous state. Per capita income is 25% above the national average, elementary & secondary school enrollment is the highest in the US. The bank's homestate accounts for almost 12% of new construction in the US and a whopping 16% of new homes—equal to New York, Florida and Texas combined. It outproduces any of the Southern states in cotton, any of the Midwestern states in dairy products and any of the Southwestern states in cattle. It also boasts 23% of all the aircraft and electronics workers in the US.

The bank has grown even faster than the state: it now numbers as depositors 486 out of every 1,000 California residents against 395 out of 1,000 in 1940. In turn, the Bank also helps California grow: eg, the B of A headed syndicates which bought $733,000,000 of the $1 billion municipal bonds sold by California and its subdivisions last year.

However, this growth state is not by any means a Bank of America preserve. Clark Beise notes most of the banks in the area are now doing the same kind of branch and consumer-conscious banking: "There's no longer any divergence of opinions as to what constitutes good practice. The future growth of this or any other bank lies in furnishing the kind of banking service people want. We try to keep in tune with the needs of people, offer services which make doing business easier much in the

. . . and new at timely B of A

same way a supermarket offers convenience foods for the housewife."

The keeping in tune is accomplished by a decentralization policy which puts a small town local bank emphasis on the branches (60% have deposits of less than $10,000,000). Yet statewide customer courtesy cards enable a Napa Valley wine grower to continue his B of A transactions while on vacation at La Jolla.

Branch managers pretty much run their own shops, have a lending limit able to serve 95% of credit requests. All are encouraged to play an integral role in community doings. But all the resources of the giant bank are at each branch's disposal if needed; excess deposits in a more static unit are available to a loan hungry branch. Also from headquarters

come suggestions on the estimates of expected business which each manager draws up, plus a flood of advice and ideas for new services the bank might render.

Service Specials. A sampling of the 59 different items in the current handbook of these services distributed to new customers shows how well stocked a supermarket of banking the Bank of America really is. Its Timeplan consumer loans finance everything from autos to boats to dental work. The bank offers a coupon service for merchants which takes over redemption of soap, food coupons, etc turned in by shoppers, gives the storeowner quick credit. It runs a free small business advisory service for would-be entrepreneurs. Its payroll service takes over an employer's payroll processing—figuring, payment plus preparation of necessary records and tax reports. It offers an employe loan and deposit service right at the office or factory. To bring trust services to its long-honored "little fellow," it offers a special set-up for trusts as small as $5,000.

It pushed and popularized use of bank charge account plans whereby a card carrier can charge goods at affiliated stores, get one monthly bill from the bank. First pilot-tested in the San Joaquin area, Bankamericard now boasts 1,500,000 family units using the card at 17,000 signed-up outlets. Reports Clark Beise: "By the end of the year we will have instituted the service on a statewide basis." So far the plan is not yet profitable but president Beise insists it will be: "Every service has to pay its way; we are a free enterprise company."

Service and enterprise together have paid off. In the first half ne operating earnings advanced to $40,200,000 or $1.57 a share from $1.45 in the first six months of 1958. The bank's ratio of loans to loanable funds is now around 60% and Clark Beise expects it might go a bit higher. He notes: "We are doing everything to increase deposits in all phases to meet loan demand."

This may prove somewhat tougher than usual as savings & loan associations in the San Diego area have pushed their rates to 4½% and similar institutions in the rest of the state might follow. This would create a 1½% spread between their rate and the maximum interest the Fed allows the banks to pay. And if the permissive rate is raised to a more competitive level, it would mean a drag on earnings from increased interest costs. However Clark Beise maintains: "Historically banks have operated with as much as a 1½% spread before. People realize the difference in the character of the savings. Bank savings accounts give you a debtor-creditor relationship with ready availability. They are the first defense against emergency."

Reinforced by his belief interest rates will tend to "firm," banker Beise sees "nothing that doesn't point to a high level of business activity." For the Bank of America this means "earnings will be better than last year. The first half's net operating earnings were ahead 8% and we expect to see an extension of that for the year as a whole."

Stauffer Chemical Three-Way Growth

Mergers, Partnerships And Active Research Widen the Products Range

IN ITS six years as a publicly owned enterprise, the Stauffer Chemical Company doubled its sales to $159,000,000 and tripled profits to $14,500,000 ($2.01 a share) in 1958. As a matter of fact, in the face of: 1) a recession, 2) lower profits for most chemical companies and 3) curtailed shipments of its biggest product, sulphuric acid, Stauffer managed to post record sales and earnings last year.

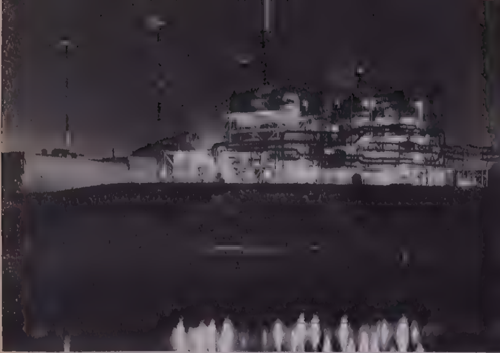
Founded in San Francisco in 1885, Stauffer moved East to set up Manhattan headquarters soon after the 1953 public financing. Hans Stauffer, 58-year-old president and nephew of co-founder John Stauffer Sr, cites the triple formula with which the producer of heavy industrial and agricultural chemicals fertilizes its fields: basic research, joint ventures and profitable mergers.

Most of the growth in reported sales has been reaped through merger. The first big push came in 1955 when Stauffer acquired the remaining 62% interest in Consolidated Chemical Industries in which Stauffer first invested in 1929. Concentrated on the West Coast and in the Southwest, Consolidated reported a $31,300,000 volume in 1954. The company added adhesives, alums, animal products and hydrochloric acid to Stauffer's extensive list of industrial and agricultural sulphur compounds.

The following year Stauffer added three companies with total sales of approximately $12,000,000: West End Chemical of Oakland which produces borax, soda ash, lime and sodium sulphate; Nyotex Chemicals of Houston with lines of hydrogen fluoride and aluminum chloride and New York-Ohio Chemical (of California and Texas) which manufactured aluminum, antimony and hydrogen chlorides. After a short period of consolidation Stauffer once again expanded in 1958 with the acquisition of Michigan's Anderson Chemical, producer of organo-metallics, specialty chemicals and boron and silicon esters.

Hans Stauffer of Stauffer

Welcome Victor. In a little over a month Stauffer expects to complete its biggest acquisition when it issues 1,690,000 of its common shares in a share-for-share exchange



Nightlife at Houston sulphuric acid plant

for the stock of Victor Chemical Works. They will be added to Stauffer's present 7,300,000 shares (split 2-for-1 in May) which trade on the NYSE around 56.

A Chicago-based producer of phosphates used in the soap, detergent, food and beverage industries, Victor earned $3,500,000 ($1.92 a share) on sales of $52,500,000 last year. Treasurer James W Kettle of Stauffer explains this latest diversification move: "We wanted to get into the field of phosphate chemistry. We had been looking about for quite some time. Our knowledge of Victor's management, technology and vast phosphorus reserves in Florida, Montana and Tennessee [Stauffer itself has considerable phosphorus reserves in the West] made us feel the merger of the two companies would be advantageous. We had long been a supplier and a customer of Victor and we knew we could look for an enhancement of earnings from the merger."

In the first half of this year Victor earned $2,500,000 or $1.41 a share while Stauffer netted $9,150,000 or $1.25 a share. Treasurer Kettle continues: "Victor is no drowning maiden; we will not have to pour money into the company."

In fact, Wall Streeters estimate Victor may earn as much as $2.70 on its own shares this year. They figure consolidated earnings of the merged companies should approach $2.50 on the total shares outstanding.

Jim Kettle indicated earnings will be little affected by the steel strike. The reason for this happy condition is a less cheerful fact: Stauffer does not have the position in the steel industry it would like. Its biggest customer for sulphuric acid is the oil industry.

Treasurer Kettle also notes: "Our sales for the year will not show as great a surge as the rest of the industry due to the good showing of both Stauffer and Victor in 1958, a recession year." Victor possesses "recession resistant" characteristics with large sales to the detergents (30% of its volume) and food (20%) industries while Stauffer finds built-in stabilizers among its fertilizers, pesticides and a number of its industrial chemicals.

Partnership. Another road to diversification favored by Stauffer is paved by joint ventures. Treasurer Kettle outlines the basic Stauffer philosophy: "We do not enter a partnership to share the financial risk. Rather we feel a partnership only makes sense when the resulting company will start off in a stronger position because of raw materials, market advantages or technology from the parents. Each partner must

ntribute or there is little likelihood a joint venture for Stauffer."

There obviously is no dearth of irtners on these terms and Stauffer is gone in for joint ventures in a g way. It is currently engaged in lly 14 such ventures both here and broad (see table), not to mention a uple of minority investments with participation in management.

To look at one such partnership, tauffer-Aerojet was set up in 1957 pool Stauffer's knowledge of basic oron chemistry with Aerojet's stuies on the application of boron iels for rocket engines. Last month ie Defense Department canceled ontracts with Olin Mathieson and allery Chemical for the production f boron fuels but the Stauffer-Aerot contract for boron research and evelopment was continued.

In the Western Phosphate partership Stauffer supplied phosphate ock (and technology) while Kenneott and American Smelting provided a low-cost sulphuric acid utilized in the production of Western Phosphate's superphosphate fertilizer.

Although Stauffer claims "no formulated plan for expansion into new partnerships," the Common Market (IR, September 16) has spurred the setting up of an International Division with representatives in Geneva to promote Stauffer commercial interests overseas. Treasurer Kettle comments: "On the international scene we may have been considered to be laggards but we are currently stepping up the tempo." A first step is the 50-50 partnership with Kali-Chemie to produce Crystex, an insoluble form of sulphur used for tire manufacture.

Research. With all the energy devoted to outside ventures and acquisitions, Stauffer has not neglected "internal diversification" based on research. President Stauffer points up the importance of this phase of development: "Although the basic

STAUFFER JOINT VENTURES

ENTURE	STAUFFER INTEREST	CO-OWNER	PRODUCTS
		United States	
merican Chemical	50%	Richfield Oil	Petrochemicals
ontrose Chemical (Cal)	50	Montrose Chemical (NJ)	DDT
ld Hickory Chemical	50	DuPont	Carbon disulphide
hiladelphia Quartz (Cal)	50	Philadelphia Quartz (Pa)	Sodium silicates
an Francisco Chemical	50	Mountain Copper Ltd	Phosphate rock
tauffer-Aerojet	50	Aerojet-General	Boron fuel research
tauffer Pharmaceutical	50	E Merck AG (Germany)	Pharmaceuticals, fine chemicals
tauffer-Temescal	66⅔	Temescal Metallurgical	Electron beam furnace
Vestern Phosphates	50	American Smelting; Kennecott	Superphosphates, phosphoric acid, ammonium phosphate
		Foreign	
ustralian Enterprises	54%	Individuals	Paints
ornwall Chemicals	50	Canadian Industries	Carbon disulphide
luor-Mex	50	Individuals	Hydrofluoric acid
tauffer-Kali-Chemie	50	Kali-Chemie (Germany)	Crystex

chemicals will continue to grow to meet the requirements of our expanding economy, we must be diligent in exploring new areas. It is here that the chemical industry has found its greatest opportunity for diversification and growth."

One of the "biggest growth areas is organo-metallics." The 1958 merger with Anderson Chemical opened the door into this new field. The organo-metallics are under development at Stauffer as catalysts, chemical intermediates and fuels.

Another research project which has "great potential" is special metals. The long experience and interest of Stauffer in chloride chemistry led the company to investigate chlorides of zirconium, columbium and tantalum as intermediates in the production of these metals.

The Stauffer-Temescal partnership with its production of electron beam furnaces made possible the melting and purifying of beryllium, columbium, molybdenum, tantalum, tungsten and zirconium. It promises profits in the near future from sales and licensing of electron beam furnaces and custom smelting of special metals.

Other projects in Stauffer's $3,-000,000 research budget (the Vict merger will increase this to sor $4,500,000) include research in (ganic as well as inorganic plastic fluorine and boron chemistry wi applications for use in rocket fuel agricultural chemistry with empha on new insecticides, fungicides a soil fumigants.

Supporting all three Stauffer (versification routes, mergers, pa nerships and research is some hef capital expansion. Among the pr ects on which $14,000,000 will spent this year: a new sulphuric ac plant in Dominguez, Cal, a salt ca storage depot in Nanaimo, Briti Columbia; improvements of the m ten sulphur pipeline at Le Moyr Ala and increased power conversi and additional chlorine capacity Niagara Falls, NY; expansion petrochemical facilities in Louisvi and enlargement of the Trithion i secticide plant in Henderson, Nev.

Another project is a new plant Weston, Mich to produce aluminu aspirins (branded Prims), Stauffe only pharmaceutical product. T company says use of aluminum ac tylsalicylic acid instead of sodiu acetylsalicylic acid provides a "bui in buffer" and more lasting effec

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SIC TRANSIT

It saddens us to hear that Latin—never a dead language in spite of all the efforts to kill it—is fast disappearing from school curricula everywhere, that even Oxford and Cambridge, those citadels of classical education, are thinking about dropping Latin from their list of entrance requirements.

No more will schoolboys learn to decline *hic haec hoc* and conjugate *fero ferre tuli latus*. No more will they conquer the Gauls wtih Caesar, prosecute Catiline with Cicero, escape from burning Troy with Virgil's Aeneas. It begins to look as if future generations won't even know the meaning of *tempus fugit* and *e pluribus unum*, of *semper paratus* and *veni vidi vici*—let alone the footnoters' favorites, *i.e.*, *e.g.*, and *ibid*. A sad state of affairs indeed!

If there is a moral here, it is probably something about the law of supply and demand in action. Latin is something like the companies of a half century ago that manufactured trolley cars and buttonhooks, kerosene lamps and ladies' bustles. They went out of business eventually because no one wanted what they made.

History repeats itself all the time. There are companies in business today whose products, however high in quality, will not always be in demand, companies that will some day go out of business because of their failure to develop new products and new markets. There's a lesson here for investors: Be sure the companies in which you own stock are managed by men who are alert and aggressive and forward-looking.

Remember, there is no rule that says a share-owner, like a sea captain, must stay with his ship.

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